Non-Academic Pension Plan
Annual Report to Membership
June, 2014

The primary purpose of this report is:

* to review the actuarial valuation information and contribution requirements of the Non Academic Pension Plan as at December 31, 2013
* to review investments and investment performance of the Plan in 2013
* to report on the activities of the Non-Academic Pension & Benefits Committee (NAPBC)

ACTUARIAL VALUATION at December 31, 2013

Membership Data

	2013	2012
Active Members	1291	1407
Pensioners & Beneficiaries	792	697
Other members (deferred, pending transfers)	116	81

Going-Concern Financial Position of the Plan

The financial position of the Plan on a going-concern basis is measured by comparing the market value of assets to the actuarial liabilities assuming the Plan is continuing for the long-term. The actuarial valuation performed as at December 31, 2013 shows that the Plan, on a going-concern basis, is in a deficit position of $34.5 million as per the summary table below. Comparative numbers as at December 31, 2012 are also provided.

Going-Concern Financial Position	2013	2012
Actuarial value of assets	$ 276,072,200	$ 242,978,400
Actuarial liability	310,563,800	279,195,300
Surplus (Deficit)	**$(34,491,600)**	**$(36,216,900)**
Funded Ratio(assets/liabilities)	.89	.87

Contribution and Funding Requirements

The Plan last filed a valuation report with the regulators at December 31, 2012. The actuary has concluded that current contribution rates continue to be insufficient to pay for the benefits currently accruing to members of the plan. The employees and the University are currently contributing 8.50% of pensionable earnings.

In addition, the special payments required by the University to fund the going-concern deficiencies are outlined as follows:

	% of Pensionable Earnings	*Period of Amortization*
Going-concern deficit from December 31, 2009 valuation	*1.62%*	*January 1, 2010 to December 31, 2024*
Going-concern deficit from December 31, 2012 valuation	*5.33%*	*January 1, 2014 to December 31, 2022*
Total going-concern deficiency payments	*6.95%*	

The monthly and annual payments are as follows:

Going-concern deficit required contributions	***Jan 1, 2014 to Dec 31, 2014***	***Jan 1, 2013 to Dec 31, 2013***
Monthly going-concern deficiency payments	*$ 384,750*	*$ 136,136*
Total annual special payments	*$ 4,617,000*	*$ 1,633,632*

Solvency Position of the Plan (Hypothetical Wind-Up)

The Pension Benefits Act (Saskatchewan) requires the University to review whether the assets of the Plan would be sufficient to cover the liabilities of the Plan in the event of a plan wind-up. The actuarial valuation performed as at December 31, 2013 shows that the Plan, on a hypothetical wind-up basis, is in a deficit position of $111.9 million. The solvency ratio at December 31, 2013 is 71%.

Solvency Financial Position	***2013***	***2012***
Solvency assets	*$ 275,872,200*	*$ 242,778,400*
Solvency liabilities	*387,744,800*	*413,520,100*
Surplus (Deficit)	***$ (111,872,600)***	***$ (170,741,700)***
Solvency ratio(assets/liabilities)	*0.71*	*0.59*

Solvency Deficiency Payments

Effective June 26, 2013, the Government of Saskatchewan amended the funding rules under *The Pension Benefits Regulations, 1993* for most public sector defined benefit pension plans. The new regulations remove the requirement to fund a plan's solvency deficiency, while decreasing the period of time by which a going-concern deficiency is required to be amortized from 15 years to 10 years. The new funding rules apply to any public sector defined benefit pension plans that have been classified as "Specified Plans".

The Non-Academic Pension Plan has been classified as a "Specified Plan", and as a result, is no longer required to fund solvency deficiencies.

Transfer Deficiency Requirements

As the plan has a solvency ratio of 0.59 (determined in the valuation at December 31, 2012), it is necessary to withhold 41% of any lump-sum payments. The amount withheld, referred to as the "transfer deficiency", will be paid out with interest at the end of the five-year period following the date of original payout (or earlier in the event of plan surplus). This provision does not impact members retiring and commencing a pension from the plan.

Transfer Deficiency Payout Example

- Applies to individuals who terminate employment and elect to transfer the lump sum value of their entitlement out of the plan
- When a plan has a solvency deficiency, legislation requires that a portion of every lump sum (LS) payment be held back
  Transfer Deficiency = Portion of LS held back
  = (1- solvency ratio) x total LS entitlement
- Example
  – Date of termination = July 31, 2014
  – Total LS entitlement = $300,000
  – Solvency ratio = 0.59
  – LS payment on July 31, 2014 = 0.59 x $300,000 = $177,000
  – Transfer Deficiency payment on July 31, 2019 = (1–0.59) x $300,000 = $123,000 (with interest)

INVESTMENTS of the PENSION PLAN at December 31, 2013

Market Value of Pension Plan Assets

By Asset Classes	***2013 ($000)***	***% of Market Value***
Canadian Equities	*$ 52,604*	*19.1*
Global Equities	*117,277*	*42.5*
Total Equities	***$ 169,881***	***61.6***
Bonds & Mortgages	*$ 76,171*	*27.6*
Real Estate	*22,166*	*8.1*
Short term investments	*7,440*	*2.7*
Total Fixed Income	***$ 105,777***	***38.4***
Total Market Value	***$ 275,658***	***100.0***

By Investment Manager	*2013 ($000)*	*% of Market Value*
Greystone Managed Investments	*$ 22,166*	*8.1*
Burgundy Asset Management	*27,735*	*10.1*
Phillips, Hager & North Investment Management	*79,373*	*28.8*
Connor, Clark & Lunn Financial	*27,092*	*9.8*
Harding Loevner	*56,216*	*20.4*
Sprucegrove Investment Management	*63,010*	*22.8*

Investment Performance

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 4.25% in excess of the Canadian Consumer Price Index. To achieve this goal, the Plan has adopted an asset mix that has a bias in favour of equity investments.

The responsibility for investing the assets of the Plan had been delegated to six professional investment fund managers with different mandates to ensure adequate investment diversification.

The Plan's Return Benchmark is a performance standard developed by the Investment Consultant, Aon Hewitt. The Non Academic Pension & Benefits Committee and the Board of Governors have approved the benchmark. The investment fund managers of the Plan are expected to meet or surpass the benchmark.

Investment Performance	*2013*	*Last 4 years*	*Last 10 years*
Plan return (gross)	*17.2%*	*8.4%*	*6.2%*
Plan return benchmark (gross)	*15.8%*	*8.4%*	*6.2%*
Consumer Price Index	*1.2%*	*1.7%*	*1.7%*

NON-ACADEMIC PENSION & BENEFIT COMMITTEE (NAPBC)

Committee Members

CUPE Union Local 1975 Appointees:
Michael Brockbank, Library
Wayne Foley, Facilities Management
Jeff Theis, Facilities Management

Board of Governor Appointees:
Cheryl Carver, Human Resources
Laura Kennedy, Financial Services
Heather Fortosky, Pensions Office

Observers:
Joe Hromek, Retirees Association
TBD, ASPA

Meetings of the Committee

The Non-Academic Pension & Benefits Committee met 7 times during the year. Acting in its capacity as managing fiduciary; the Committee is responsible for the oversight of the Non-Academic Pension Plan operations, including funding, investment, and administration of the Plan. The Committee is also responsible for the review and oversight of CUPE Benefits Funding. The Committee activities over the past year in fulfilling these responsibilities are outlined as follows:

Meeting Date	***Time allocated***	***Purpose***
July 5, 2013	*2.0 hours*	**CUPE Benefits Reporting*
September 23, 2013	*3.0 hours*	**Quarterly Investment Performance Review to June 30th* **Investment Manager Presentation: Harding Loevner* **Investment Manager Presentation: Sprucegrove* **Annual General Meeting Review*
November 27, 2013	*2.0 hours*	**Quarterly Investment Performance Review to Sep 30th* **Investment Policy Annual Review*
March 28, 2014	*3.0 hours*	**Quarterly Investment Performance Review to Dec 31st* **Investment Manager Presentation: Phillips, Hager & North* **Investment Manager Presentation: Greystone*
April 22, 2014	*1.0 hour*	**2013 Actuarial Valuation Review*
May 21, 2014	*2.5 hours*	**Quarterly Investment Performance Review to Mar 31st* **Investment Manager Presentation: Burgundy* **Investment Manager Presentation: Connor, Clark & Lunn*
June 10, 2014	*1.0 hour*	**Financial Statements at December 31, 2013 Review*

NON-ACADEMIC PENSION PLAN INFORMATION

Plan Documents

Copies of the following documents are on file in the CUPE Union Local office and the office of the Director of Pensions (Financial Services). They are available for inspection by any member of the Plan during regular working hours by prior arrangements.

- Plan Text
- Financial Statements
- Actuarial Reports
- Auditor's Report
- Committee meeting agendas and minutes

Other Agents of the Plan

Actuary:	Aon Hewitt, Saskatoon
Investment Consultant:	Aon Hewitt, Vancouver
Custodian:	CIBC Mellon Global Securities

Pension Administration & Support

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Room 220, Research Annex, 105 Maintenance Road
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www.usask.ca/fsd/faculty_staff/pension_plans

Please contact the Pensions Office at 306-966-6633 or any member of the Non-Academic Pension & Benefits Committee if you have any questions about the items covered in this newsletter.